

**REPORT OF THE AUDIT OF THE
TRIGG COUNTY
CLERK**

**For The Year Ended
December 31, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE TRIGG COUNTY CLERK

**For The Year Ended
December 31, 2009**

The Auditor of Public Accounts has completed the Trigg County Clerk's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$24,203 from the prior year, resulting in excess fees of \$120,910 as of December 31, 2009. Revenues decreased by \$326,393 from the prior year and expenditures decreased by \$302,190. As of the audit date, the clerk owes additional excess fees of \$990.

Report Comment:

- The Trigg County Clerk's Office Lacks Adequate Segregation Of Duties Over Payroll

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS	3
NOTES TO FINANCIAL STATEMENT	6
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	11
COMMENT AND RECOMMENDATION	15



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Stan Humphries, Trigg County Judge/Executive
The Honorable Wanda Thomas, Trigg County Clerk
Members of the Trigg County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Trigg County, Kentucky, for the year ended December 31, 2009. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 17, 2010 on our consideration of the Trigg County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Stan Humphries, Trigg County Judge/Executive
The Honorable Wanda Thomas, Trigg County Clerk
Members of the Trigg County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Trigg County Clerk's Office Lacks Adequate Segregation Of Duties Over Payroll

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Trigg County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

May 17, 2010

TRIGG COUNTY
WANDA THOMAS, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2009

Revenues

State Fees For Services	\$	7,187
-------------------------	----	-------

Revenue Supplemental		57,376
----------------------	--	--------

Fiscal Court		22,680
--------------	--	--------

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	532,537
------------------------	----	---------

Usage Tax		916,742
-----------	--	---------

Tangible Personal Property Tax		1,041,972
--------------------------------	--	-----------

Other-

Fish and Game Licenses		10,423
------------------------	--	--------

Marriage Licenses		4,189
-------------------	--	-------

Occupational Licenses		1,090
-----------------------	--	-------

Deed Transfer Tax		35,410
-------------------	--	--------

Delinquent Tax	167,124	2,709,487
----------------	---------	-----------

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts		11,392
---------------------------------	--	--------

Real Estate Mortgages		25,678
-----------------------	--	--------

Chattel Mortgages and Financing Statements		28,602
--	--	--------

Powers of Attorney		1,213
--------------------	--	-------

Affordable Housing Trust		23,718
--------------------------	--	--------

All Other Recordings		25,351
----------------------	--	--------

Charges for Other Services-

Clerk Lien Fees		6,840
-----------------	--	-------

Notary Fees		5,122
-------------	--	-------

Candidate Filing Fees	700	128,616
-----------------------	-----	---------

The accompanying notes are an integral part of this financial statement.

TRIGG COUNTY
WANDA THOMAS, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2009
(Continued)

Revenues (Continued)

Other:

Copywork	\$	9,955	
Miscellaneous		<u>4,728</u>	\$ 14,683

Interest Earned			<u>5,749</u>
-----------------	--	--	--------------

Total Revenues			2,945,778
----------------	--	--	-----------

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	390,301	
Usage Tax		889,232	
Tangible Personal Property Tax		404,885	

Licenses, Taxes, and Fees-

Fish and Game Licenses		10,291	
Affordable Housing Trust		23,736	
Legal Process Tax		13,305	
Delinquent Tax		<u>18,368</u>	1,750,118

Payments to Fiscal Court:

Tangible Personal Property Tax		79,966	
Delinquent Tax		17,887	
Deed Transfer Tax		33,640	
Occupational Licenses		<u>872</u>	132,365

Payments to Other Districts:

Tangible Personal Property Tax		516,335	
Delinquent Tax		<u>87,367</u>	603,702

Payments to Sheriff			3,221
---------------------	--	--	-------

Payments to County Attorney			21,955
-----------------------------	--	--	--------

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries		163,187	
--------------------	--	---------	--

Employee Benefits-

Employer's Share Social Security		16,856	
----------------------------------	--	--------	--

The accompanying notes are an integral part of this financial statement.

TRIGG COUNTY
WANDA THOAMS, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2009
(Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Contracted Services-			
Printing and Binding	\$	5,000	
Materials and Supplies-			
Office Supplies		10,146	
Other Charges-			
Conventions and Travel		5,456	
Dues		1,140	
Phone		3,385	
Copier Lease		5,100	
Postage		4,000	
Miscellaneous		6,672	
			\$ 220,942
Capital Outlay-			
Office Equipment		11,354	
Total Expenditures			<u>\$ 2,743,657</u>
Net Revenues			202,121
Less: Statutory Maximum			<u>74,083</u>
Excess Fees			128,038
Less: Expense Allowance		3,600	
Training Incentive Benefit		<u>3,528</u>	<u>7,128</u>
Excess Fees Due County for 2009			120,910
Payment to Fiscal Court - February 2, 2010			<u>119,920</u>
Balance Due Fiscal Court at Completion of Audit			<u><u>\$ 990</u></u>

The accompanying notes are an integral part of this financial statement.

TRIGG COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2009

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

TRIGG COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Trigg County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Trigg County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

TRIGG COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 4. Lease Agreement

The Office of the County Clerk entered into a lease agreement with Canon Financial Service for copiers totaling \$18,209, with an interest rate of 5.69 percent on March 10, 2006. The agreement requires a monthly payment of \$425 for 48 months to be completed in March 2010. The total balance of the agreement was \$1,263 as of December 31, 2009.

Note 5. County Clerk's Revenue Supplement Fund

The Office of the County Clerk received \$57,376 from the Kentucky Transportation Cabinet. This amount represents the share of the funds generated by an additional one dollar (\$1) per registration for the county Clerk's Revenue Supplement Fund. Kentucky Revised Statute (KRS) 186.040(6)(c) provides the entire fund balance collected in the previous calendar year be distributed proportionately to county clerks with a population of less than twenty thousand as determined by the decennial census. The use of these funds is restricted to KRS 186.040(6)(c): "...to provide an unrestricted revenue supplement, for operations of the office related to the collection and administration of road fund taxes, to county clerk offices in counties containing a population of less than twenty thousand (20,000), as determined by the decennial census, and for no other purpose." These funds are required to be distributed by March 1, of each year.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Stan Humphries, Trigg County Judge/Executive
The Honorable Wanda Thomas, Trigg County Clerk
Members of the Trigg County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Trigg County Clerk for the year ended December 31, 2009, and have issued our report thereon dated May 17, 2010. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Trigg County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The Trigg County Clerk's Office Lacks Adequate Segregation Of Duties Over Payroll



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Trigg County Clerk's financial statement for the year ended December 31, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Trigg Fiscal Court, and the Kentucky Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

May 17, 2010

COMMENT AND RECOMMENDATION

TRIGG COUNTY
WANDA THOMAS, COUNTY CLERK
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2009

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:

The Trigg County Clerk's Office Lacks Adequate Segregation Of Duties Over Payroll

The Trigg County Clerk's Office lacks an adequate segregation of duties over payroll. The county clerk is responsible for preparing payroll checks, posting payroll expenditures to the ledger, and distributing all payroll checks. A lack of segregation of incompatible duties or strong oversight could result in misappropriation of assets and/or inaccurate financial reporting to external agencies, such as the Department for Local Government, which could occur but not be detected. A proper segregation of duties or compensating controls, are essential to providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

In order to adequately protect against the possibility of misappropriation of assets and/or inaccurate financial reporting, the Trigg County Clerk should separate the duties involved in processing payroll. If, due to a limited budget, this is not feasible, a strong oversight over this area should be implemented and involve an employee not currently performing any of those functions.

County Clerk's Response: None.

